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REPORT AND ACCOUNTS 1968
THE GOVERNOR AND COMPANY
OF ADVENTURERS OF ENGLAND
TRADING INTO HUDSON'S BAY
299th ANNUAL GENERAL COURT



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DIRECTORS' REPORT AND ACCOUNTS

TO BE LAID BEFORE THE PROPRIETORS AT
THE 299th ANNUAL GENERAL COURT AT
BEAVER HALL, GARLICK HILL, LONDON E.C.4,
ON FRIDAY 24th MAY, 1968 at 11:45 A.M.

This Canadian dollar version of the Directors' Report and Accounts has been prepared for the convenience of Proprietors resident in North America. The original sterling accounts are to be laid before the Proprietors at the 299th Annual General Court. Proprietors wishing to obtain a copy of the sterling Directors' Report and Accounts should write to The Secretary, Canadian Committee, Hudson's Bay House, 79 Main Street, Winnipeg 1, Manitoba.

Since 99% of the Company's operations are located in North America, the devaluation of sterling in November 1967 has no significant effect on the accounts when expressed in dollars. Comments on the effects of the devaluation in the sterling Directors' Report and Accounts have therefore been changed in the Canadian version where appropriate.

BOARD

THE RT. HON. VISCOUNT AMORY, P.C., G.C.M.G., T.D., D.L.

Governor

T. NORBERT BEAUPRÉ

THE RT. HON. LORD COBBOLD, P.C., G.C.V.O.

J. E. H. COLLINS, M.B.E., D.S.C.

E. O. FAULKNER, M.B.E.

DONALD GORDON, C.M.G., LL.D., D.C.L.

G. R. HUNTER, Q.C.

W. J. KESWICK

D. E. KILGOUR

Chairman Canadian Committee

J. G. LINKS, O.B.E.

J. BARTLETT MORGAN

J. R. MURRAY

Managing Director

I. P. R. NAPIER, M.C. (Retired, 19th May, 1967)

JAMES A. RICHARDSON

R. E. SHEEN

Deputy Managing Director

C. GORDON SMITH

H. W. SUTHERLAND

Deputy Managing Director

GRAHAM F. TOWERS, C.M.G.

NOTICE OF MEETING

1. The 299th ANNUAL GENERAL COURT of the Governor and Company of Adventurers of England trading into Hudson's Bay, will be held at Beaver Hall, Garlick Hill, London, E.C.4, on 24th May, 1968, at 11:45 a.m., to receive the Accounts for the year ended 31st January, 1968, together with a report from the Board.

2. Resolutions will be proposed at the Court:

(a) For payment on 31st May, 1968, of a final dividend for the year ended 31st January, 1968, at the rate of 10½% to Proprietors registered as Shareholders on 22nd April, 1968. **(Resolution No. 1)**

(b) To approve and adopt the Directors' Report, Balance Sheet and Profit and Loss Account for the year ended 31st January, 1968, including the Group Accounts. **(Resolution No. 2)**

3. Directors retiring by rotation and proposed for re-election as members of the Board are:—

The Rt. Hon. Viscount Amory, P.C., G.C.M.G., T.D., D.L. (Governor) **(Resolution No. 3)**

G. R. Hunter, Q.C. **(Resolution No. 4)**

W. J. Keswick **(Resolution No. 5)**

James A. Richardson **(Resolution No. 6)**

R. E. Sheen (Deputy Managing Director) **(Resolution No. 7)**

4. Messrs. PEAT, MARWICK, MITCHELL & CO., having notified the Company that they are willing to continue as Auditors, a Resolution will be proposed at the Court to fix their fee. **(Resolution No. 8)**

5. Transfer books will be closed from 23rd April to 7th May, 1968, inclusive.

BEAVER HOUSE,
GREAT TRINITY LANE,
LONDON, E.C.4.
29th April, 1968

By Order of the Board
R. A. REYNOLDS
Secretary

CONSOLIDATED FINANCIAL SUMMARY

HUDSON'S BAY COMPANY YEARS ENDED 31st JANUARY

	1968	1967
	\$	\$
SALES	424,788,000	405,174,000
CONSOLIDATED PROFIT AND LOSS		
Profit before taxes	25,594,000	25,104,000
Taxation on profits	11,486,000	11,640,000
Net profit	14,108,000	13,464,000
Cost of dividends	7,360,000	7,929,000
Estimated transitional tax relief	1,560,000	2,250,000
CONSOLIDATED BALANCE SHEET		
Fixed assets	91,530,000	81,777,000
Trade investments	10,280,000	10,308,000
Net current assets	90,124,000	90,975,000
Assets employed	191,934,000	183,060,000
Long term debt	37,208,000	36,060,000
Shareholders' equity	154,726,000	147,000,000
OPERATING RESULTS BEFORE TAXES		
Retail — Sales	349,968,000	334,905,000
Profit	18,270,000	17,922,000
Fur — Sales and consignments	95,761,000	116,082,000
Profit	868,000	1,497,000
Wholesale — Sales	69,862,000	62,979,000
Profit	2,226,000	2,007,000
Royalties	2,181,000	2,025,000
Trade investment income	2,049,000	1,653,000

Note: Last year's results include additional four months' sales and profits of certain Northern stores whose year end was changed to 31st January.

DIRECTORS' REPORT TO PROPRIETORS

Canada's Centennial year, 1967, so successful in so many respects, was a difficult one for certain operations of Hudson's Bay Company. Despite, however, a drastic reduction in fur profits and a sharper rise in costs than in any recent year, earnings in dollars nevertheless showed a modest increase.

This satisfactory result could not have been achieved without the wholehearted efforts of our Company's staff numbering over 14,000. They have in a real sense worked as an effective team.

When we reflect with pride on the achievements of our great Company over the years we think first and foremost not of a massive organization but in a very personal and human sense of a closely knit team jointly engaged in a spectacular and exciting enterprise. Our confidence in our staff has once again not been misplaced.

A matter of considerable technical importance to the accounts when expressed in sterling was the devaluation of sterling on 18th November, 1967. Since 99% of the earnings, including the important oil dividend, are in dollars (Canadian and U.S.), the profits when converted into sterling show a significant increase.

Devaluation, however, has no material effect on the dollar accounts.

PROFIT

Profit before tax amounted to \$25,594,000 against \$25,104,000 a year ago. The profit in Canadian dollars showed an increase of 4.9%, excluding from last year an additional four months' profits from certain Northern Stores whose year end had been changed.

Profit after tax was \$14,108,000, or \$1.04 per share.

SALES

Sales this year reached a record \$424,788,000. On a comparable basis, sales were ahead 7.4%.

In addition the Company's fur consignment sales totalled \$90,803,000.

TAXATION AND DIVIDENDS

Temporary relief from the additional tax burden imposed by the United Kingdom Finance Act 1965 is estimated this year at \$1,560,000. The relief is lower than previously anticipated due principally to the devaluation of sterling and the increase in the United Kingdom Corporation Tax rate from 40% to 42½%.

An interim dividend of 9% was paid in October 1967. In deciding to recommend an unchanged final dividend of 10½% the Board has taken into consideration both the fact that the increase in sterling profits is mainly due to an exchange difference arising from devaluation, and the punitive cost of the additional taxation, stemming from the temporary relief provisions of the Finance Act of 1965, which would result from an increase in the dividend at the present time. The total dividend paid and proposed is 19½%, the same as last year.

The dividends are declared in sterling and the payment of the final dividend to North American shareholders in dollars will be reduced by devaluation.

BALANCE SHEET

Fixed Assets

Net fixed assets at 31st January, 1968, were \$91,530,000, an increase of over 10%. In terms of sterling, fixed assets increased almost 30%. Capital expenditure of \$16,190,000 comprised \$10,855,000 on land and buildings and \$5,335,000 on equipment and transport. The largest capital projects covered retail and parking facilities at Regina and Saskatoon. Depreciation was also higher at \$5,907,000.

Bonds

Hudson's Bay Company Properties Limited, a wholly owned Subsidiary, offered \$10,000,000 7½% 23-year Series "B" Bonds to institutional

investors in Canada in January 1968, priced at \$98⁷/₈ to yield 7.6%. The offer was fully subscribed and the proceeds, received on 1st March, 1968, will be used to finance the Company's continuing growth. The property company now has \$25 million in bonds outstanding, bringing the total funded debt of the Group to \$46 million.

RESERVES

In the sterling accounts, devaluation has the effect of increasing shareholders' equity by £7,029,000. In the Canadian version devaluation has no material effect.

TRADING

The strong growth pattern in the Canadian economy which had been in evidence for the last six years levelled off in 1967. Although Gross National Product rose by 7%, the improvement in real terms was less than 2½%. Industrial production advanced by about 2% compared with a gain last year of close to 8%. Capital spending by business was only slightly higher than a year ago.

Inflationary pressures which had resulted in price increases of 1% to 2% per annum for some years, began to build up significantly in the latter part of 1966. In 1967 prices in Canada accelerated at a pace which afforded anxiety both as to the internal stability of the economy and the ability of the country to compete in world markets as effectively as in recent years. The consumer price index advanced by 3½% in 1967 and there is no sign in the early months of 1968 of any abatement of this trend.

DEPARTMENT STORES

Retail Sales followed the same pattern as the previous year — slightly more buoyant in the first half, then levelling off to give an increase for the year on a comparable basis of 7.3%. A reduction in housing completions in 1967 led to a decline in demand on the part of consumers for furniture and major appliances.

For the second year running wage rates increased at a faster pace than sales. The resulting pressure on profit margins was partially, but not entirely, offset by higher productivity and very close control over expenses.

Sales of Morgan's, Montreal, grew at a faster rate than the average for the Company. This was mainly due to the public appreciation of improved and expanded facilities. The immensely successful World's Fair, Expo 67, was

also a factor, though to a lesser extent than expected. The final stages in the modernization of the Morgan Main Store will be taking place during 1968 and 1969, when resetting of the two most important fashion floors, postponed until after Expo, will be carried out.

The Company's competitive position in Saskatoon was improved substantially with the completion of a store extension of 70,000 square feet and a 485-car Parkade.

A 55,000 square foot addition and a 200-car Parkade were also opened in Prince George, British Columbia.

The new Regina Store opened to enthusiastic customer reception on 29th February, 1968. With the completion of this store of 190,000 square feet, and its 385-car Parkade, the Company's wide assortments of quality merchandise are now available to customers in each of the major cities of Western Canada.

It was indicated in the Report a year ago that future retail expansion would occur mainly in the suburbs of cities already served by the Company. The Company now owns sites for future development in Vancouver, Calgary and Winnipeg and has other opportunities under investigation. An attractive, convenient branch store of 120,000 square feet is under construction on the Vancouver site and will open in the Spring of 1969.

NORTHERN STORES

Merchandise sales of Northern Stores continued to grow at an encouraging rate. This growth occurred despite a severe drop in income from fur production in the North, and is evidence that the economy of remote regions served by our Northern Stores is becoming more stable as a result of increased mining exploration and development as well as the many activities of Government.

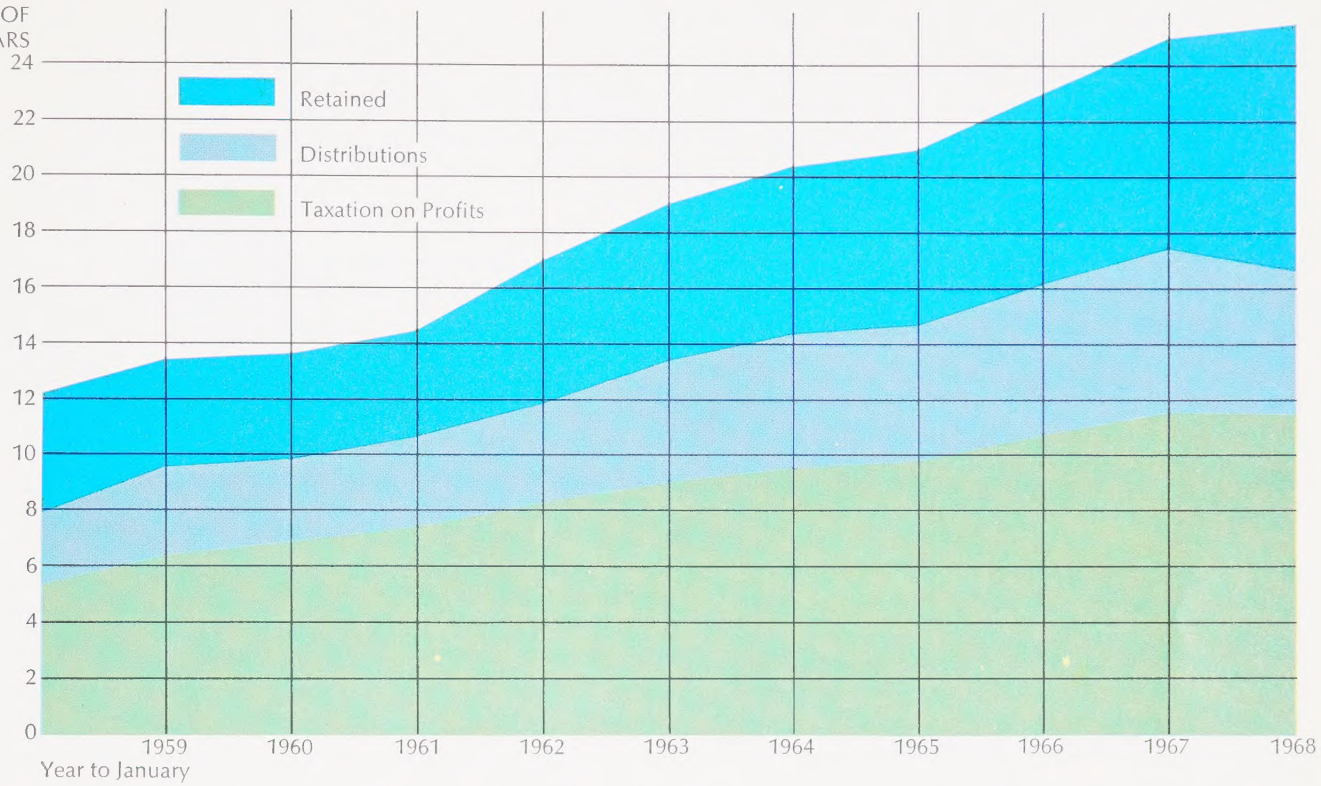
Business at larger Northern Stores located in communities dependent on natural resources continued at an active level.

Two new stores were opened during the past year at Hall Beach, Northwest Territories; and Werner Lake, Ontario. Six small unprofitable units were closed, bringing the number of Northern Stores in operation to 214.

The programme of expanding existing units was continued. Important store extensions were completed in Inuvik, N.W.T.; Fort McMurray, Alberta; Manitouwadge and Moosonee, Ontario; and Chibougamau, Quebec.

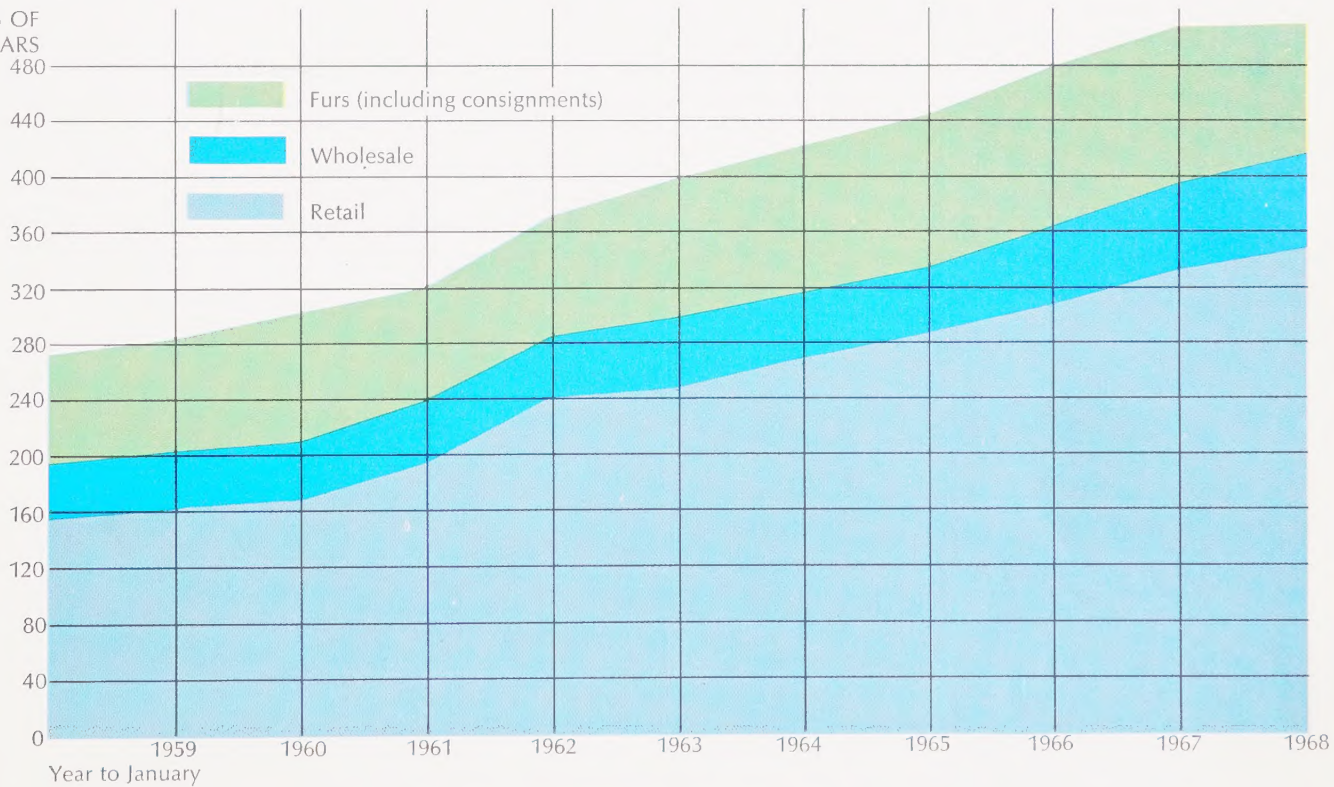
PROFIT

MILLIONS OF DOLLARS



SALES

MILLIONS OF DOLLARS



WHOLESALE

The Wholesale Department continued to develop its activities satisfactorily while benefiting from stable market conditions in tobacco products. A new branch was opened in Quebec City and new premises were constructed for existing operations at Owen Sound, Ontario; and Prince George, British Columbia.

FUR

As foreshadowed, 1967 was another difficult year for the Company's fur operations. Most of the year was marked by generally declining prices and much uncertainty in all the key fur markets. Fortunately, towards the end of the year there was evidence of a return of confidence and some improvement took place in prices.

When the year began in February 1967, Mink prices had already declined 20% to 25% from their previous levels. The downtrend continued through the Spring selling season and spread to other furs. Most varieties sold well at these lower price levels and there was little carry-over when this year's furs came on the market in December. Prices for the new crop were stronger at volumes greater than the year before.

Income from the Company's auction operations is directly related to fur prices but with the cost of operating continuing to rise, profits are particularly vulnerable to a market decline. This year, for example, although the volume handled was greater, profits dropped by almost 40%, their lowest point since the early 1950's.

Profits from the Company's own collection of wild furs were also substantially lower as the

majority of sales were made on a declining market which persisted until late last Fall.

Severe fluctuations are periodic hazards of the fur business. It is to be hoped that the firmer prices of recent weeks are an indication that the worst period of depression is now largely over.

OIL

The recent success of Hudson's Bay Oil and Gas Company, as reflected in the marked increase in the market value of its shares over the last two years, is a development of special importance and gratification to this Company and its Proprietors. Hudson's Bay Company's original investment of \$10 million made in the early 1950's had grown to a market value in excess of \$150 million at 31st January, 1968. The four million shares owned by Hudson's Bay Company represent a 21.9% equity interest in Hudson's Bay Oil and Gas Company. The growth of this asset is evidence of the soundness of the policy of regarding this venture as a long-term investment in the natural resources of Canada.

For Hudson's Bay Oil and Gas, 1967 was an outstanding year. Record levels of production and sales produced new peaks in revenues, cash generation and net earnings; a successful exploration and development programme resulted in large net additions to reserves; the scope of activities was broadened to include the retail marketing of propane.

Production of crude oil and natural gas liquids of 47,300 barrels per day represented an increase of 11.4%. Sales of natural gas at 197

SOURCE AND USE OF FUNDS

SOURCE OF FUNDS

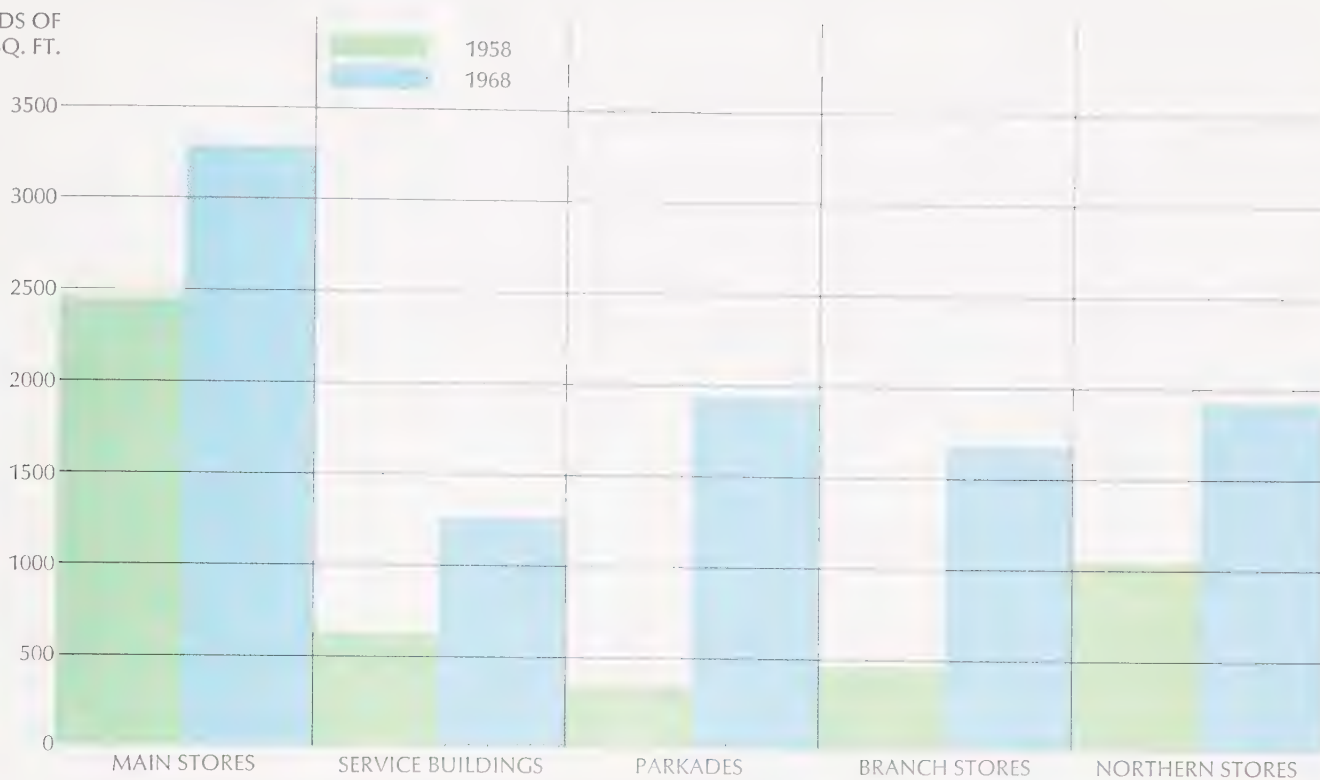
	Year to 31st January	
	1968	1967
	\$	\$
Profit after tax	14,108,000	13,464,000
Depreciation	5,907,000	5,613,000
Transitional tax relief	1,560,000	2,250,000
	<u>\$21,575,000</u>	<u>\$21,327,000</u>

USE OF FUNDS

	1968	1967
Net additions to fixed assets	15,912,000	15,549,000
Cost of dividends	7,360,000	7,929,000
(Increase) decrease in long term debt	(1,148,000)	1,659,000
(Increase) decrease in net short term borrowings	1,187,000	(21,897,000)
Increase (decrease) in other net assets	(1,736,000)	18,087,000
	<u>\$21,575,000</u>	<u>\$21,327,000</u>

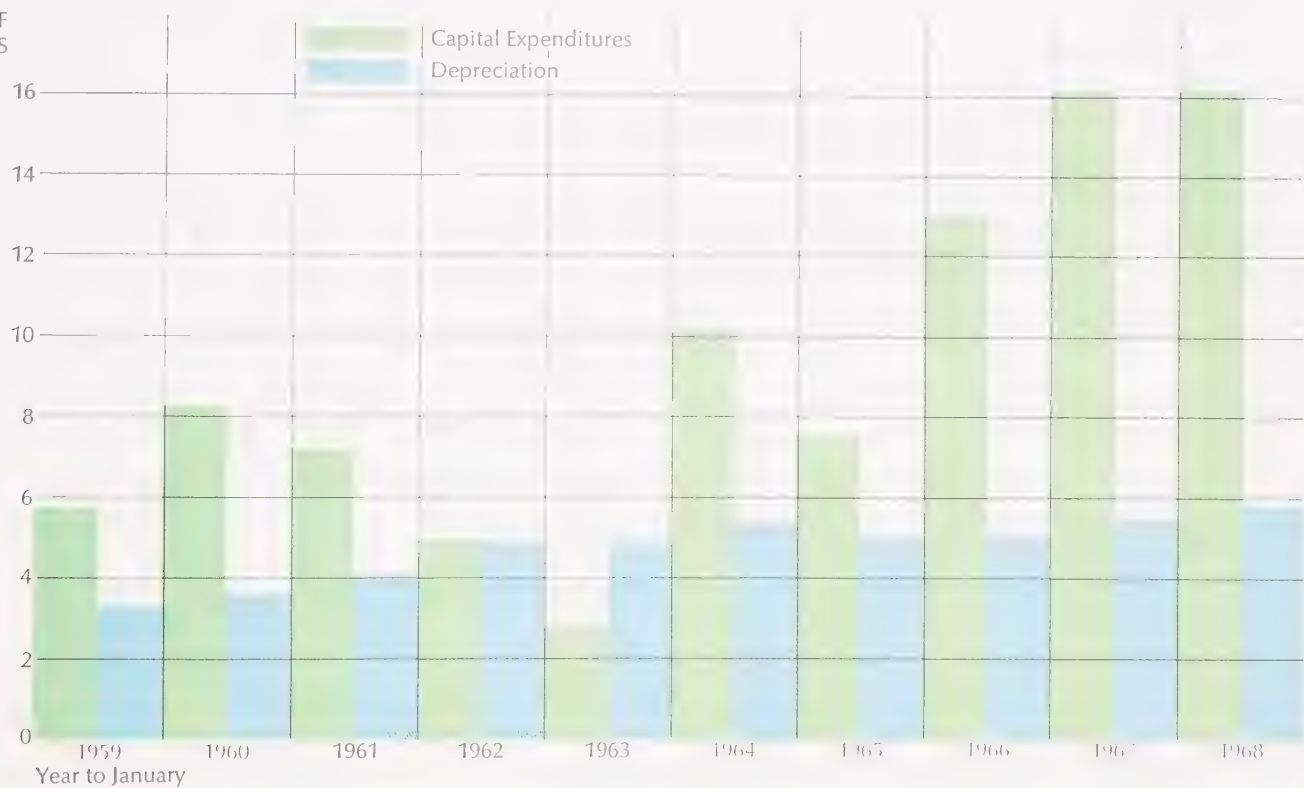
RETAIL FACILITIES

THOUSANDS OF
SQ. FT.



CAPITAL EXPENDITURES AND DEPRECIATION

MILLIONS OF
DOLLARS



million cubic feet per day were ahead 16% and sulphur production increased 12.3% to 430 long tons per day.

At year end proved and probable reserves were estimated to be 354 million barrels of crude oil and natural gas liquids and 3 million million cubic feet of natural gas—increases of 27.5% and 3.5% respectively from the year before.

The capital of Hudson's Bay Oil and Gas was substantially increased through the sale of \$30 million of preferred shares in October, 1967.

Net earnings for the year increased by 27.4% to \$22,139,000 or \$1.19 per common share. In view of the higher earnings and cash generation, the 1967 dividend on the common shares was increased by 10 cents to 50 cents per share. As a result, the dividend received amounted to \$2,004,000 compared with \$1,603,000 the year before.

On behalf of the Board

26th March, 1968

AMORY
Governor





Although the Company does most of its business in the cities, it also continues to play a unique role in the Canadian North. Through its Northern Stores Department, The Bay provides the people of 214 Northern communities with a modern and convenient retailing service. On the pages which follow are shown some of the stores, the merchandise, the customers and staff as well as some of the communities themselves; communities as different in character as the modern nickel mining centre of Thompson, Manitoba, and the Eskimo village and Arctic port of Tuktu, Northwest Territories (above). Also shown are some of the "behind the scenes" services and facilities such as transportation, warehousing, fur marketing, staff housing and merchandise buying, without which it would be impossible to operate efficiently in this vast and challenging area.



1



2



3



The traditional red and white store is a prominent landmark at the tiny settlement of Little Grand Rapids (1). At Norway House (2) the old blends with the new; the archway warehouse is one of the oldest structures in Manitoba, dating from the 1830's; the adjacent store was completed in 1962. At Thompson (3), site of one of the world's largest nickel deposits, The Bay occupies part of a modern shopping centre. Northern Stores are known for fashion (4) as well as for food (5). The majority of customers in the 138 isolated communities served by the Company are Indian or Eskimo (6), and more than 40% of the staff in these settlements are native residents (7).







The M.V. Pierre Radisson (1) supplies stores in the Eastern Arctic. This Beaver (2) and two other aircraft carry personnel to remote locations. Two tugs and three barges serve units on James Bay and Hudson Bay (3). Northern Stores make use of Company buying services in the major markets (4). Furs purchased in the North are sold at Company auction houses in London (5) or Montreal. Merchandise is shipped to the North from three distribution centres in Edmonton (6) Winnipeg and Montreal. The Company provides modern, comfortable housing accommodation for staff and their families in remote locations (7).



CONSOLIDATED BALANCE SHEET

HUDSON'S BAY COMPANY AND SUBSIDIARIES 31st JANUARY, 1968

	1968		1967	
	\$	\$	\$	\$
CURRENT ASSETS				
Cash on hand and in bank	3,377,000		2,778,000	
Short term securities at market value	8,973,000		3,210,000	
Accounts receivable	81,949,000		85,197,000	
Merchandise inventories (Note 7)	59,538,000	153,837,000	61,251,000	152,436,000
TRADE INVESTMENTS at cost (Note 6)				
Hudson's Bay Oil and Gas Co. Ltd.	10,095,000		10,095,000	
Other	185,000	10,280,000	213,000	10,308,000
FIXED ASSETS (Note 9)				
Land and buildings	77,004,000		68,988,000	
Equipment and transport	14,526,000	91,530,000	12,789,000	81,777,000
AMORY				
W. J. KESWICK				
Directors				
		\$255,647,000		\$244,521,000

		1968		1967
	\$	\$	\$	\$
CURRENT LIABILITIES				
Bank loans and overdrafts	3,871,000		8,568,000	
Short term loans (Note 4)	9,872,000		—	
Accounts payable and accrued expenses	35,467,000		37,284,000	
Income taxes payable (Note 5)	6,144,000		6,381,000	
Proposed dividends	3,700,000	59,054,000	4,269,000	56,502,000
STAFF RETIREMENT (Note 3)				
		4,659,000		4,959,000
LONG TERM DEBT OF SUBSIDIARIES (Note 12)				
		37,208,000		36,060,000
SHAREHOLDERS' EQUITY				
CAPITAL STOCK				
Authorized — £15,000,000				
Issued—13,553,428 ordinary shares of £1 each	35,238,000		40,659,000	
RESERVES				
Capital (Note 2)	20,813,000		15,366,000	
Revenue	98,675,000	154,726,000	90,975,000	147,000,000
		\$255,647,000		\$244,521,000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

HUDSON'S BAY COMPANY AND SUBSIDIARIES FOR YEAR ENDED 31st JANUARY, 1968				
	1968		1967	
	\$	\$	\$	\$
CONSOLIDATED PROFIT		25,594,000		25,104,000
after charging, and crediting income				
from, the following items:				
	1968	1967		
	\$	\$		
Depreciation				
(Note 10)	5,907,000	5,613,000		
Interest on long				
term debts	2,158,000	2,106,000		
Net short term				
interest	840,000	342,000		
Directors'				
remuneration				
(Note 13)	393,000	375,000		
Auditors'				
remuneration	73,000	72,000		
Trade investments	2,049,000	1,653,000		
Royalties	2,181,000	2,025,000		
TAXATION ON CURRENT PROFITS				
U.K. corporation tax	5,600,000		6,105,000	
Less estimated double taxation relief	5,460,000		5,850,000	
	140,000		255,000	
Canadian and U.S. taxes	11,346,000	11,486,000	11,385,000	11,640,000
PROFIT AFTER INCOME TAXES		\$14,108,000		\$13,464,000
APPROPRIATION OF PROFIT				
Parent Company				
Interim dividend (gross)	3,660,000		3,660,000	
Exchange adjustment	488,000		—	
	3,172,000		3,660,000	
Proposed final dividend (gross)	3,700,000	6,872,000	4,269,000	7,929,000
Less estimated transitional tax relief		1,560,000		2,250,000
		5,312,000		5,679,000
Increase in revenue reserves		1,966,000		2,712,000
		7,278,000		8,391,000
Subsidiaries				
Increase in revenue reserves		6,830,000		5,073,000
		\$14,108,000		\$13,464,000

REPORT OF THE AUDITORS TO THE PROPRIETORS

We have examined the annexed balance sheet and the annexed consolidated balance sheet and consolidated profit and loss account.

In our opinion the balance sheet and the consolidated accounts comply with the Companies Acts 1948 and 1967 and together with

the notes thereon give respectively a true and fair view of the state of the Company's affairs at 31st January, 1968 and a true and fair view of the state of affairs and of the profit of the Group.

11 Ironmonger Lane,
London, E.C.2.

26th March, 1968

Peat, Marwick, Mitchell & Co.
Chartered Accountants

BALANCE SHEET

HUDSON'S BAY COMPANY 31st JANUARY, 1968

	1968		1967	
	\$	\$	\$	\$
CURRENT ASSETS				
Cash on hand and in bank	2,348,000		2,334,000	
Accounts receivable	25,953,000		23,652,000	
Due from subsidiaries	3,526,000		4,965,000	
Merchandise inventories (Note 7)	46,732,000	78,559,000	47,229,000	78,180,000
TRADE INVESTMENT at cost (Note 6)				
		185,000		213,000
INVESTMENT IN SUBSIDIARIES				
at cost less amounts written off		58,097,000		58,626,000
AMORY				
W. J. KESWICK				
Directors				
		\$136,841,000		\$137,019,000

	1968		1967	
	\$	\$	\$	\$
CURRENT LIABILITIES				
Bank loans and overdrafts	543,000		3,957,000	
Short term loans (Note 4)	1,500,000		—	
Accounts payable and accrued expenses	24,438,000		21,585,000	
Income taxes payable	3,271,000		4,029,000	
Due to subsidiaries	322,000		369,000	
Proposed dividends	3,700,000	33,774,000	4,269,000	34,209,000
STAFF RETIREMENT (Note 3)				
		4,659,000		4,959,000
SHAREHOLDERS' EQUITY				
CAPITAL STOCK				
Authorized — £15,000,000				
Issued — 13,553,428 ordinary shares of £1 each	35,238,000		40,659,000	
RESERVES				
Capital	19,903,000		14,748,000	
Revenue	43,267,000	98,408,000	42,444,000	97,851,000
		\$136,841,000		\$137,019,000

NOTES ON THE ACCOUNTS

1. EXCHANGE

U.K. assets and liabilities and the current year's profits have been converted at Can. \$2.60 to the £. (last year \$3.00) and U.S. assets, liabilities and current profits at Can. \$1.08 to the U.S. \$1.00 (last year \$1.07). In consequence, the Group capital and capital reserve have been reduced by \$229,000 (Parent Company \$266,000) and Group revenue reserve by \$1,096,000 (Parent Company \$1,143,000) including \$488,000 in respect of the interim dividend paid prior to sterling devaluation on 18th November, 1967. The rates of exchange on 31st January, 1968, were Can. \$2.62 to the £ and Can. \$1.09 to the U.S. \$1.00.

2. RESERVES

The profit of \$255,000 on the sale of a fixed asset by a Subsidiary Company has been added to Group capital reserve.

3. STAFF RETIREMENT

The provision for staff retirement is expected to be adequate to cover the cost of any unfunded pension liability. The current service cost of accruing pension benefits is charged against current profit.

4. SHORT TERM LOANS

Short term promissory notes at an average rate of $6\frac{3}{4}\%$ per annum mature within six months.

5. TAXATION

No provision has been made for taxation which would arise if profits retained in and employed by subsidiaries were distributed.

6. TRADE INVESTMENTS

Hudson's Bay Company Investments Limited, a wholly-owned subsidiary, holds 4,008,656 common shares (21.9%) of the total of 18,294,044 common shares of Hudson's Bay Oil and Gas Company Limited, incorporated in Canada. Other common shares are held by Continental Oil Company (65.7%) and by the general public (12.4%). The market quotation at 31st January, 1968, on the Toronto Stock Exchange was \$39.25 per share. The other investment consists of 450,000 ordinary shares (16.6% of the total ordinary issued capital) held by the parent company in Hill Thomson & Company Limited, registered in Scotland. The market quotation at 31st January, 1968, on the Stock Exchange, London, was 24/6d. per share.

7. MERCHANDISE

Merchandise has been valued at the lower of cost and net realisable value.

8. STATUTORY AND OTHER INFORMATION

A list of Subsidiary Companies, and the principal activities of the Group are given on pages 28 and 26.

As required by the Stock Exchange, London, the Company states that it is not a close company under the provisions of the Finance Act, 1965.

9. FIXED ASSETS

Fixed Assets comprise the following:

	Freehold Land & Buildings	Equipment & Transport	Total
Cost	\$120,047,000	\$30,774,000	\$150,821,000
Accumulated depreciation	43,043,000	16,248,000	59,291,000
Net book value	<u>\$ 77,004,000</u>	<u>\$14,526,000</u>	<u>\$ 91,530,000</u>

Movements during the year were:

Net book value at 31st January, 1967	\$ 68,988,000	\$12,789,000	\$ 81,777,000
Exchange adjustment	(251,000)	(1,000)	(252,000)
Additions	10,855,000	5,335,000	16,190,000
Disposals	(180,000)	(98,000)	(278,000)
Depreciation	(2,408,000)	(3,499,000)	(5,907,000)
Net book value at 31st January, 1968	<u>\$ 77,004,000</u>	<u>\$14,526,000</u>	<u>\$ 91,530,000</u>

Because of the widespread distribution of the Company's numerous properties a detailed assessment of current market values has not been considered justified. The Directors, however, are in no doubt that the value of land and buildings is substantially in excess of the book value. Land includes mineral rights on approximately 4½ million acres in Western Canada recorded at nominal value.

10. DEPRECIATION

All buildings, equipment and transport have been depreciated, using the straight-line method, at rates that will fully depreciate the assets over their estimated useful life.

11. CAPITAL EXPENDITURE

Total capital expenditure authorized for Subsidiary Companies at 31st January, 1968, was \$13,954,000 (\$7,440,000) of which contracts issued amounted to \$1,264,000 (\$4,605,000).

12. LONG TERM DEBT

	1968	1967
Hudson's Bay Company Acceptance Limited		
6% debentures series "A" due 1980 (secured)	\$10,000,000	\$10,000,000
5¾% debentures series "B" due 1983 (secured)	10,000,000	10,000,000
These debentures are guaranteed by the Parent Company		
Hudson's Bay Company Properties Limited		
5¾% first mortgage bonds series "A" due 1990 (secured)	15,000,000	15,000,000
Annual sinking fund redemptions \$375,000 from 1970		
Henry Morgan & Co. Limited		
4¾% sinking fund debentures due 1976 (unsecured)	1,060,000	1,060,000
Rupert's Land Trading Company		
Mortgages, 7% average	1,148,000	—
Repayable by instalments to 1988		
	<u>\$37,208,000</u>	<u>\$36,060,000</u>

In January, 1968, Hudson's Bay Company Properties Limited offered \$10,000,000, 7½% first mortgage bonds series "B" due 1991 (secured). Annual sinking fund redemptions of \$250,000 will commence in 1971. The offer was fully subscribed and the proceeds received on 1st March, 1968.

13. DIRECTORS' REMUNERATION

	1968	1967
United Kingdom Directors	\$ 26,000	\$ 27,000
Canadian Directors	315,000	300,000
Pensions	52,000	48,000
	<u>\$393,000</u>	<u>\$375,000</u>

COMPARATIVE SUMMARY

IN THOUSANDS OF DOLLARS

YEARS ENDED 31ST JANUARY

	1968	1967	1966	1965
Sales — Retail	349,968	334,905	307,626	287,526
— Fur	4,958	7,290	6,864	8,226
— Wholesale	69,862	62,979	56,121	51,630
— Total (excl. consignments)	424,788	405,174	370,611	347,382
Consignment sales	90,803	108,792	109,146	95,268
Profit — Retail	18,270	17,922	16,428	15,405
— Fur	868	1,497	1,884	1,392
— Wholesale	2,226	2,007	1,371	1,014
— Royalties	2,181	2,025	1,827	1,764
— Investment income	2,049	1,653	1,647	1,443
— Total before taxes	25,594	25,104	23,157	21,018
Taxation on profits	11,486	11,640	10,848	9,741
Net profit	14,108	13,464	12,309	11,277
Transitional tax relief	1,560	2,250	1,110	—
Cost of dividends	7,360	7,929	6,420	4,953
Profits retained	8,796	7,785	6,999	6,324
Capital expenditures	16,190	16,194	13,149	7,656
Depreciation	5,907	5,613	5,166	5,115
Fixed assets	91,530	81,777	71,841	64,095
Trade investments	10,280	10,308	10,308	10,308
Net current assets	90,124	90,975	94,677	80,916
Assets employed	191,934	183,060	176,826	155,319
Long term debt	37,208	36,060	37,719	23,277
Shareholders' equity	154,726	147,000	139,107	132,042
Shares outstanding (000's)	13,553	13,553	13,553	13,553
Number of shareholders	30,201	30,959	29,538	28,753

Notes: (1) Sterling and U.S. dollar figures have been converted at the rates of exchange used in the accounts of the individual years.

(2) Miscellaneous and non-recurring items have been excluded from profits but have been included in shareholders' equity.

1964	1963	1962	1961	1960	1959
268,272	253,293	240,985	194,373	168,680	161,356
7,776	6,771	6,518	6,351	5,657	4,718
49,785	48,720	46,903	45,766	49,358	48,367
325,833	308,784	294,406	246,490	223,695	214,441
101,013	91,482	82,679	75,370	79,181	74,189
14,406	13,716	12,589	11,177	10,103	9,974
2,361	2,121	1,703	1,576	2,083	1,848
693	627	602	622	417	574
1,677	1,569	1,397	1,266	1,263	1,313
1,236	1,236	826	—	—	—
20,373	19,269	17,117	14,641	13,866	13,709
9,645	9,183	8,224	7,361	6,880	6,325
10,728	10,086	8,893	7,280	6,986	7,384
—	—	—	—	—	—
4,749	4,500	3,735	3,266	3,091	3,385
5,979	5,586	5,158	4,014	3,895	3,999
10,203	2,877	5,076	7,330	8,324	5,858
5,403	4,995	5,020	4,127	3,704	3,371
61,758	56,958	58,932	58,876	48,894	44,416
10,308	10,308	10,293	10,293	10,220	10,220
77,235	66,351	58,995	41,922	28,560	29,834
149,301	133,617	128,220	111,091	87,674	84,470
23,673	14,064	14,319	14,420	—	—
125,628	119,553	113,901	96,671	87,674	84,470
13,553	13,553	13,553	6,138	5,608	5,608
26,628	24,295	22,567	20,348	19,187	18,632

ring: 1968 Can. \$2.60; 1963-67 Can. \$3.00; 1959-62 Can. \$2.80. U.S. dollar: 1968 Can. \$1.08; 1963-67 Can. \$1.07; 1959-62 Can. \$1.00.)

THE COMPANY

(A BRIEF DESCRIPTION)

HISTORY

Hudson's Bay Company was incorporated in 1670 by Royal Charter, which granted the Company ownership and exclusive trading rights over all the lands draining into Hudson Bay. For its first 200 years the Company was engaged solely in the fur trade. Then in 1870, its territories were transferred to Canada in exchange for farm land in the Prairie Provinces. All this land has since been sold, but mineral rights on 4½ million acres have been retained. Toward the end of the 19th century, general stores evolved from trading posts and today retailing is the Company's most important activity.

RETAIL STORES

There are eight large downtown department stores in major Canadian cities, 25 medium-size department stores and 214 northern stores in smaller communities across the country. These figures include seven stores operated under the Morgan's name.

FUR

Hudson's Bay Company is the world's largest fur trading company with auction houses in London, Montreal and New York. In addition to consignment sales which account for the greater part of fur volume, raw furs are purchased by the Company at northern stores throughout Canada and sold at auction houses.

OIL

Petroleum and natural gas rights on 4½ million acres are optioned to Hudson's Bay Oil and Gas Company Limited, an associated company in which Hudson's Bay Company owns 21.9% of the common shares.

WHOLESALE

A range of products carrying the Company's name, including blankets and spirits, is marketed throughout Canada and the United States. The Company is also Canada's largest wholesale distributor of tobacco products.

STAFF

The Company employs approximately 14,000 people.





PRINCIPAL SUBSIDIARY COMPANIES

(WHOLLY OWNED)

INCORPORATED IN CANADA

HENRY MORGAN & CO. LIMITED

Operates stores in Eastern Canada

HENRY MORGAN PROPERTIES LIMITED

Property owning company

HUDSON'S BAY COMPANY ACCEPTANCE LIMITED

Purchases deferred payment accounts

HUDSON'S BAY COMPANY INVESTMENTS LIMITED

Investment holding company

HUDSON'S BAY COMPANY PROPERTIES LIMITED

Property owning company

RUPERT'S LAND TRADING COMPANY

Property owning company

RUPERT'S LAND TRADING COMPANY (QUEBEC) LTD. (Note 1. (a))

Property owning company

SCALES & ROBERTS LIMITED

Wholesale distributors

THE H. FORTIER COMPANY LIMITED (Note 1. (b))

Wholesale distributors

INCORPORATED IN THE UNITED STATES OF AMERICA

HUDSON'S BAY COMPANY INC.

Wholesale distributors of HBC "Point" Blankets, whiskies and rums

HUDSON'S BAY COMPANY FUR SALES INCORPORATED

Fur brokers

INCORPORATED IN ENGLAND

BEAVER HOUSE LIMITED

Property owning company

HUDSON'S BAY COMPANY FUR SALES LTD.

Fur brokers

NOTE:

1. 100% of the nominal value of all shares issued by the above companies are held by Hudson's Bay Company or its nominees with two exceptions as follows:

- (a) All shares issued by Rupert's Land Trading Company (Quebec) Ltd. are held by Rupert's Land Trading Company or its nominees.
- (b) All shares issued by The H. Fortier Company Limited are held by Scales & Roberts Limited or its nominees.

HEAD OFFICE

Beaver House, Great Trinity Lane, LONDON E.C.4., England

REGISTRAR

Glyn, Mills & Co., Salisbury Square House, London E.C.4., England

HEAD OFFICE FOR CANADA

Hudson's Bay House, 79 Main Street, WINNIPEG 1, Manitoba

CANADIAN REGISTRAR

The Royal Trust Company, TORONTO, MONTREAL, WINNIPEG, CALGARY and VANCOUVER

